

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 3, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Evie Taft, Human Resources Administrator; Nicole Brassard, Wine Marketing Specialist; Lt. Lisa Soiett; Lt. Kyle Metcalf; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Business Supervisor, Administrative Services. **Guests:** Brian Law and Michael Goclowski, Law Warehouses.

EXCUSED: Chief Eddie Edwards; Richard Gerrish, Spirits Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending April 30, 2006 were up 4.09% or \$263,548 for the weekly comparison, and were also up year-to-date by 6.08% or \$19,843,724.

B. Budget/Administrative Reports:

Craig reported that HB 1626 has been submitted to the legislature to deal with the utility budget overruns for several agencies. This bill includes energy expense shortfalls which would result in \$105,000 for the Commission.

The HVAC contract price extension was approved by Governor and Council this morning with no questions.

There will be a meeting next Monday at 9:00 a.m. regarding the fiscal audit, at which time the auditors will present a schedule they will be following. The Commission will not be billed for this service this time around. The auditors will be informed that the Commission does not have the same amount of space available for them as we did last year.

The current W-6 Expense Budget Activity Variance Report shows the year to be at around 84% expired, with total budget expenditures at about 79%. George is still waiting to hear from Administrative Services for relief for benefit expenses.

Paperwork was sent out regarding the Visa/Master Card litigation showing that the Commission has no responsibility for the problems that occurred.

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Fiscal inventory of fixed assets continues, and will be brought to the Commission's attention when completed.

Monday the UPS portion of the electronic ordering system for licensees will be implemented. The first group of licensees to use this will be contacted to see if everything went well. Brian said that no one has selected this function yet. Advertising for this program is now in three places on the web site.

2. IT Report:

There have been some problems incurred with the new electronic cash register equipment.

The ICE loaner will be replaced either today or tomorrow.

Howard will be working tomorrow morning with the OIT office on the response to Visa/Master Card.

3. Human Resources Report: No report given.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 4/30/06 increased by 1.62% or \$80,507.59.

Regional managers' meetings will take place on May 15 and May 22 to kickoff the summer promotion. One of these is specifically targeted for Cluster 3 stores.

With the new instant ticket dispensers, sales of instant lottery tickets have increased by \$479,000 since January 2006.

A. Store Hours of Recommendation – Tuesday, July 4, 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store hours of operation for Tuesday, July 4, 2006, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. Summer 2006 Extended Hours of Operation Recommendation:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seasonal extended store recommendations for

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Store #12 Center Harbor, Store #28 Seabrook Beach and Store #39 Wolfeboro, effective Friday, May 26, 2006 through Monday, October 9, 2006, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

C. Store Security Details Recommendation – Memorial Day Through Columbus Day 2006:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve Enforcement security details for Memorial Day 2006 through October 2006, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report: No report given.

3. Merchandising Report:

A. SPIRITS:

1) Three Month Warning Product Review:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations regarding sixty-eight (68) spirit products that received a three-month warning after achieving 85% of their respective gross profit requirements, which expired on April 30, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, with the exception of Code #3640, Belvedere Citrus Vodka, which the Commission voted to grant specialty status. The motion was unanimously adopted.

2) Fourth of July Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-two (22) spirit products to be featured during the Fourth of July Sale, scheduled for Thursday, June 29 through Sunday, July 9, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Products:

a. Test Market Request (Zapata Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Laird and Company for a new test market listings for Zapata Tequila, 1.75L size (assigned new Code #3926), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Product (Five O'clock Apple Mist Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Laird and Company for a new test market listings for Five O'clock Apple Mist Vodka, 750ML size (assigned new Code #3292), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Result (Code #3977):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission vote to delist Code #3977, Sauza Hornitos Tequila, 375ML size, as it failed to achieve the gross profit required for full distribution at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Result (Codes #5526, #5527 & #4893):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty item status for Code #5526, Sgt. Peppermint Cream, 750ML size, as it did achieve the gross profit required for specialty item consideration at the conclusion of a six-month test market period, but delist Code #5527, Tequila Rose Java Cream, 750ML size and Code #4893, Camaya Coffee Liqueur, 1.75L size, as both items failed to achieve both their respective gross profits required for full distribution and those required for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Cluster 3 Wine Shelf Sets:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve Cluster 3 store wine re-sets, based on the new rules, for Stores #11 Lebanon, #19 Plymouth, #20 Derry, #31 Manchester, #30 Milford, #47 Woodstock, #41 Seabrook, #56 Gilford, #51 Pelham, #72 Concord and #74 Londonderry, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) June 2006 E-Mail Alert Coupons:

a. Horizon Beverage Co./Concha Y Toro:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Concha Y Toro to utilize an e-mail alert coupon featuring three (3) wine products during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Horizon Beverage Co./Houghton:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Houghton to utilize an e-mail alert coupon featuring three (3) wine products during June 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) 2003 Bordeaux Rollout:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the 2003 Bordeaux rollout to stores, including in-store tastings in six (6) stores conducted by Martignetti Companies of N.H. featuring five (5) Bordeaux wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) New NH Farnham Hill Ciders (Wines):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Farnham Hill Ciders of Lebanon to introduce six (6) cider wines, with an absolute placed in all Cluster 1 stores and in Stores #15 Keene, #23 Conway, #42 Meredith, #55 Bedford, #56 Gilford, #60 West Lebanon and #68 North Hampton, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) “Kick Start Duboeuf” June & July:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc. to conduct a “Kick Start Duboeuf” summer sweepstakes during June and July 2006 featuring six (6) Duboeuf wine items, including the display of a Vespa motorized scooter at Stores #69 Nashua and #73 and #76 Hampton, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) “Ravenswood Zinfomania” June, July & August:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc. to conduct a “Ravenswood Zinfomania” summer promotion during June, July and August 2006 featuring five (5) Ravenswood wine items, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) “Fat Bastard, Fat Boy=Fat Summer” June, July & August:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Pine State Trading Company to conduct a “Fat Bastard, Fat Boy=Fat Summer” consumer sweepstakes during June, July and August 2006 featuring five (5) Fat Bastard wine items, including display of a Harley Davidson 2006 Fat Boy at thirteen select retail stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Test Italian Wines:

a. A.R. Pellegrini & Associates, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from A.R. Pellegrini

& Associates, Inc. to test Codes #43297, Leonensis Sant' Antimo 6 pack and Code #43298, Brunello di Montalcino 6 pack, 750ML sizes, by placing three absolutes in all Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. F & F Wine Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from F & F Wine Imports to test six (6) Italian wine products by placing three absolutes in all Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Purchases & Introductions:

a. Houghton Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company to purchase and introduce Code #43051, Houghton Cabernet/Shiraz, Code #43052, Houghton Chardonnay and Code #43054, Houghton Shiraz, but to place three absolutes of these products in each Cluster 1 store, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. CYT Casillero del Diablo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company to purchase and introduce Code #25984, CYT Casillero del Diablo Sauvignon Blanc and Code #37433, CYT Casillero del Diablo Carmenere, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Results of Purchases & Displays:

a. Sterling Pinot Grigio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, as a result of the purchase and display of Code #43245,

Sterling Pinot Grigio, that an absolute of this product be placed in twelve (12) stores which provided 85% of the bottles sold during the two month test period, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Cape Mentelle:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, as a result of the purchase and display of Code #35588, Cape Mentelle Cabernet/Merlot, Code #35589, Cape Mentelle Sem/Sauvignon Blanc, Code #43018, Cape Mentelle Shiraz and Code #43017, Cape Mentelle Chardonnay, that these items be delisted due to failure to meeting gross profit requirements during the two month test period, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Dancing Bull:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, as the result of the purchase and display of three (3) Dancing Bull wines, that Code #43193, Cabernet and Code #43195, Merlot have an absolute placed in those stores providing 85% of the bottles sold during the two month test period, and that Code #43194, Chardonnay be delisted due to failure to meet gross profits requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Folonari:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, as the result of the purchase and display of Code #42521, Folonari Shiraz and Code #42519, Folonari Chianti, that these items be delisted due to failure to meet gross profit requirements during the two month test period, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

11) “R” Wines for Allocation to Licensees (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to licensees selected by the broker and retail distribution, as recommended by

Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 12) Primary Source Submissions (2 primary source; 20 exclusive agent; 37 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, twenty (20) wine codes which are offered by the exclusive marketing agent and thirty-seven (37) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 13) Special Offers for July 2006 (1 item – Southern Wine & Spirits of N.E.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Southern Wine & Spirits of N.E., Inc., based upon depletions for one (1) wine item, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report given.

IV. CHAIRMAN'S REPORT & LATE ITEMS:

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated April 28 through May 3, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

- a. Store Tastings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Charles Zoulias to conduct an in-store tasting featuring four (4) wine products on Thursday, May 4, 2006 from 4:00 to 6:00 p.m. in Store #69, Nashua

as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Banrock Station 3.0 Liter Roll-Out Extension:

As a result of a request from Southern Wine & Spirits of N.E., Inc. to change the roll-out period for Banrock Station 3.0 Liter Bag-in-Box wines to June and July, Commissioner Byrne recommended that if product was not received in a reasonable amount of time that the program should not move forward.

V. EXECUTIVE SESSION

The meeting was adjourned and the Commission went into Executive Session to discuss personnel matters at 1:30 p.m.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

